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TO RUEHTI/AMEMBASSY TIRANA PRIORITY

RUEHC/SECSTATE WASHDC PRIORITY

INFO RUCNMUC/EU CANDIDATE STATES COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHBW/AMEMBASSY BELGRADE PRIORITY

RUEHUP/AMEMBASSY BUDAPEST PRIORITY

RUEHSQ/AMEMBASSY SKOPJE PRIORITY

RUEHVB/AMEMBASSY ZAGREB PRIORITY

RUEHPS/USOFFICE PRISTINA PRIORITY

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SUBJECT: EU DONOR COORDINATION IN THE BALKANS (ALBANIA)

REF: A. BRUSSELS 00034

¶B. BRUSSELS 00043

¶C. BRUSSELS 00045

¶11. SUMMARY: Development programs in Albania were among several discussed during a recent all-day donor coordination meeting organized by the European Commission (EC) in Brussels. EC assistance programs in Albania, estimated at around 55 million euros in 2007, are expected to increase by 15 percent over the next three years. Areas of particular programmatic interest for the EC include public administration, rule of law, corruption and civil society.

¶12. BACKGROUND: On December 13, the EC hosted an all-day donor coordination meeting in Brussels to seek bilateral input in conjunction with the development of a new EC assistance strategy for the Balkans covering the period 2008-2010. Opened by Michael Leigh, Director-General for Enlargement, the event was partly a "show and tell" involving contributions from individual donors. The USAID Representative to the EU attended on behalf of the US; other non-EU members represented included Switzerland and Norway. This is the fourth of a series of cables summarizing current programs and future plans for various donors now working in the Balkans.

¶13. EUROPEAN COMMISSION (EC): The EC described its main areas of interest in Albania as including public administration, rule of law, corruption and civil society, with "good governance" and "rule of law" cited as the two most important challenges. Funding levels for 2007 are estimated at 55 million euros. The three-year budget planning figure for 2008-2010 is placed at 245 euros, representing a 15 percent increase. Another 20 million euros in "pipeline" projects from 2005 and 2006 has been set aside for institution building.

¶14. ITALY: Italy is the single largest bilateral donor in Albania and ranks third in terms of total assistance, trailing only the EC and the World Bank. Overall Italian aid investments in Albania so far are placed at more than 700 million euros. Areas of specific interest include energy, water, infrastructure, environment, social welfare, health, education and business development. A new Italian initiative will make 27 million euros available for small and medium enterprise development.

¶15. GERMANY: Germany ranks with Italy as one of Albania's largest bilateral donors. In terms of total funding as well

as per capita support, it also ranks among the most important of all German aid programs in the Balkans. Specific activities focus heavily on transport, water and wastewater treatment.

¶6. SPAIN: The Spanish aid presence in Albania is relatively modest but includes credits, technical assistance and NGO support. Funding for 2008 will be around three million euros in grant assistance, combined with another 6.5 million euros that is being set aside for micro credit activities. Areas of interest include training and capacity building in several sectors, including health, education, good governance and economic growth. In terms of geographical distribution, there is a heavy focus on Tirana and the poorer northern areas.

¶7. UNITED KINGDOM (UK): Total bilateral aid investments from the UK in Albania since 1990 amount to 40 million pounds, with this year's funding level reaching two or three million pounds. The UK strongly believes that the national government should lead the development effort. With this in mind, the UK representative urged foreign donors to encourage the government to strengthen its coordination effort, not only vis-a-vis foreign donors but within the Albanian government itself ("internal coordination is often even worse than external donor coordination").

¶8. OTHER COUNTRIES: Austria currently provides some 2.5 million euros in aid to Albania each year. Specific programs focus on tourism, rural development, water, governance and anti-trafficking. The Dutch have provided 100 million euros to Albania since 1991; for 2007-2010, Dutch funding levels are estimated at 22 million euros. Areas of particular interest include environmental concerns and good governance.

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The Swiss have allocated 8 million euros for Albania in 2008 and expect this level to continue. Finally, the Swedish aid program in Albania is shifting more toward integration with Europe and less toward poverty alleviation. It will also maintain a strong interest in both good governance and human rights.

¶9. COMMENT: This was a working level meeting and the discussion on Albania was straight-forward and without controversy. Despite pressing priorities in Kosovo and elsewhere, it is interesting to note that EC funding for Albania is expected to increase during each of the next three years. Issues related to good governance, civil society and corruption were often cited along with economic growth as particularly pressing concerns. Donor coordination was also mentioned as an important concern, especially by the UK which emphasized that the Albanian government needs to play its role as the central focal point for coordination in the field.

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